PROVINCE OF SASKATCHEWAN

2008

ANNUAL REPORT

SASKPOWER DESIGNATED EMPLOYEE BENEFIT PLAN

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Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the Annual Report of the SaskPower Designated Employee Benefit Plan for the year ending December 31, 2008.

Rod Gantefoer
Minister of Finance

The Honourable Rod Gantefoer
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the SaskPower Designated Employee Benefit Plan for the year ending December 31, 2008.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Saskatchewan Power Corporation
SaskPower Designated Employee Benefit Plan

Introduction

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Designated Employee Benefit Plan (the Plan) in 1984 for the payment of supplementary retirement benefits to Participants. The purpose of this Plan is to invest employees' monies raised through payroll deduction, voluntary contributions, and banked days off. The Plan is considered to be a salary deferral arrangement (SDA) under the Canadian Income Tax Act. The Plan was grand fathered in 1986 when CRA (Canada Revenue Agency) changed the tax rules regarding salary deferral plans at which time the Plan was closed to new employees.

A trust has been established to hold the properties of the Plan. SaskPower is the sponsor of the Plan and Rice Financial Ltd. are the trustees of the Plan. The trustee has established a separate account for each Participant in the Plan. The funds in a Participant's account may be invested in one or more investment options and a Participant shall be entitled to transfer the funds held under one investment option to another. SaskPower's obligations are limited solely to the making of contributions to the Plan in accordance with the Plan document.

SaskPower was the administrator of the Plan from January 1, 1984 to November 16, 2004. On November 16, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

Enrollment

The Plan has been closed to new members since 1986. As of December 31, 2008 there were 3 (2007 – 3) active Participants in the Plan. Active members are those Participants currently working for SaskPower with some still deferring salary on a monthly basis. As of December 31, 2008 there were 42 (2007 – 41) non-active Participants withdrawing from the Plan and an additional 16 (2007 – 19) non-active Participants not withdrawing.

Contributions

SaskPower makes basic contributions to the Plan from any of the following sources:

a) An amount not exceeding 40% of a Participant's salary, as per an election made by the Participant; and

b) If a basic contribution is made by SaskPower to the Plan as determined in (a), SaskPower shall make an additional contribution to the Plan, which is equal to the amount that it would have contributed to the Defined Contribution Pension Plan.

No Participant is permitted to make contributions directly to the Plan.

Benefits

A Participant's benefit entitlement date is normally the first of the month following the latter of the date upon which the Participant attains the age of 65 and the date the Participant terminates active service with SaskPower.

At least three months prior to the benefit entitlement date, a Participant may elect by notice in writing to SaskPower to receive the funds held in the Participants account in one of the following ways:

a) As a series of periodic installments ending not later than a date 15 years following the Participants benefit entitlement date; and

b) As a series of periodic installments payable for the Participants' lifetime or the longer of the Participants' lifetime and the Participants' spouse's lifetime, with or without a guaranteed period. If a guaranteed period is chosen, it shall not exceed 15 years.

The total amount of any installments in one calendar year shall not exceed an amount equal to one fifth of the value of the Participants' account as at the Participants' benefit entitlement date. Notwithstanding this restriction, the amount of any installment payable after a period of five years from the benefit entitlement date may exceed the amount specified in this paragraph.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the SaskPower Designated Employee Benefit Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the SaskPower Designated Employee Benefit Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the SaskPower Designated Employee Benefit Plan for the year ended December 31, 2008 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Kathy Deck
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 26, 2009

SaskPower Designated Employee Benefit Plan

Financial Statements

Year Ended December 31, 2008

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits of the Saskatchewan Power Corporation Designated Employee Benefit Plan as at December 31, 2008 and the statement of changes in net assets available for benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2008 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
February 26, 2009

Fred Wendel, CMA, CA
Provincial Auditor

Saskatchewan Power Corporation
Designated Employee Benefit Plan
Statement of Net Assets Available For Benefits

Statement 1

As At December 31

(in thousands)

	2008	2007
ASSETS		
Investments, at market (Note 3)		
Mutual funds	$ 4,466	$ 5,653
Guaranteed Investment Certificates	2,157	2,244
Total assets	6,623	7,897
NET ASSETS AVAILABLE FOR BENEFITS	$ 6,623	$ 7,897

(See accompanying notes to the financial statements)

Saskatchewan Power Corporation **Statement 2**
Designated Employee Benefit Plan
Statement of Changes in Net Assets Available for Benefits

Year Ended December 31

	(in thousands)	
	2008	**2007**
INCREASE IN ASSETS		
Dividends	$ 76	$ 228
Interest	90	89
Contributions	12	12
Total increase in assets	178	329
DECREASE IN ASSETS		
Decrease in market values of investments	934	335
Withdrawals	518	631
Total decrease in assets	1,452	966
Decrease in net assets	(1,274)	(637)
NET ASSETS AVAILABLE FOR BENEFITS, beginning of the year	7,897	8,534
NET ASSETS AVAILABLE FOR BENEFITS, end of the year	$ 6,623	$ 7,897

(See accompanying notes to the financial statements)

Saskatchewan Power Corporation
Designated Employee Benefit Plan
Notes to the Financial Statements

December 31, 2008

1. Description of the Plan

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Designated Employee Benefit Plan (the Plan) in 1984 for the payment of supplementary retirement benefits to Participants. The purpose of this Plan is to invest employees' monies raised through payroll deduction, voluntary contributions, and banked days off. After 1986, banked days off had their own plan called the Supplementary Retirement Benefit Plan which was then replaced in 1988 by the Supplementary Superannuation Plan. The Plan is considered to be a salary deferral arrangement (SDA) under the Canadian Income Tax Act. The Plan was grandfathered in 1986 when Canada Revenue Agency (CRA) changed the tax rules regarding salary deferral plans at which time the Plan was closed to new employees.

A trust has been established to hold the properties of the Plan. SaskPower is the sponsor of the Plan and Rice Financial Ltd. are the trustees of the Plan. The trustee has established a separate account for each Participant in the Plan. The funds in a Participant's account may be invested in one or more investment options and a Participant shall be entitled to transfer the funds held under one investment option to another. SaskPower's obligations are limited solely to the making of contributions to the Plan in accordance with the Plan document.

SaskPower was the administrator of the Plan from January 1, 1984 to November 16, 2004. On November 16, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Enrollment

The Plan has been closed to new members since 1986.

As of December 31, 2008 there were 3 (2007 – 3) active Participants in the Plan. Active members are those Participants currently working for SaskPower with some still deferring salary on a monthly basis. As of December 31, 2008 there were 42 (2007 – 41) non-active Participants withdrawing from the Plan and an additional 16 (2007 – 19) non-active Participants not withdrawing.

Contributions

SaskPower makes basic contributions to the Plan from any of the following sources:

a) An amount not exceeding 40% of a Participant's salary, as per an election made by the Participant; and

b) If a basic contribution is made by SaskPower to the Plan, SaskPower shall make an additional contribution to the Plan which is equal to the amount that it would

No Participant is permitted to make contributions directly to the Plan.

Benefits

A Participant's benefit entitlement date is normally the first of the month following the latter of the date upon which the Participant attains the age of 65 and the date the Participant terminates active service with SaskPower. If a Participant terminates active service with SaskPower prior to age 65, the Participant must elect an alternate benefit entitlement date which is no earlier than January 31 of the calendar year following the calendar year the Participant makes the election. Notwithstanding the foregoing, in no event shall a Participant's alternate benefit entitlement date be later than the 1st of the month following the date the Participant attains the age of 65.

At least three months prior to the benefit entitlement date, a Participant may elect by notice in writing to SaskPower to receive the funds held in the Participant's account in one of the following ways:

a) As a series of periodic installments ending not later than a date 15 years following the Participant's benefit entitlement date; and

b) As a series of periodic installments payable for the Participant's lifetime or the longer of the Participant's lifetime and the Participant's spouse's lifetime, with or without a guaranteed period. If a guaranteed period is chosen, it shall not exceed 15 years.

The total amount of any installments in one calendar year shall not exceed an amount equal to one fifth of the value of the Participant's account as at the Participant's benefit entitlement date. Notwithstanding this restriction, the amount of any installment payable after a period of five years from the benefit entitlement date may exceed the amount specified in this paragraph.

If a Participant terminates active service with SaskPower prior to the age of 65, the Participant may elect to receive the funds contained in the Participant's account in the form of a single payment or such other form as agreeable to SaskPower and the Participant.

Death of a Participant

If a Participant dies prior to the Participant's benefit entitlement date, the Participant shall be deemed to have retired on the Participant's date of death and the Participant's retirement benefits will be paid in the form of an annuity with equalized payments over a ten-year period commencing on the first day of the month following the Participant's date of death.

If a Participant dies after the Participant's benefit entitlement date, then any amounts remaining as unpaid shall be paid in the same form as the Participant elected.

In the event of a Participant's death, the trustee shall make any payments to the person designated in the Participant's will or if no such person has been designated to the Participant's estate.

2. Significant Accounting Policies

These financial statements were prepared in accordance with Canadian generally accepted accounting principles. The following accounting policy is considered significant:

a) Investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing partners who are under no compulsion to act.

b) Change in Accounting Policies

Effective January 1, 2008, two new presentation and disclosure standards were adopted: Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, *Financial Instruments – Disclosures* (Section 3862); and Handbook Section 3863, *Financial Instruments – Presentation* (Section 3863).

Section 3862 and 3863 replaced Handbook section 3861, Financial Instruments – Disclosure and Presentation. The new disclosure standards increase the disclosures related to financial instruments and the nature, extent and management of the Plan's risks arising from financial instruments. The presentation standards carry forward unchanged from the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Plan's operating results.

3. Investments

Guaranteed Investment Certificates

The Plan allows participants to invest in Guaranteed Investment Certificates maturing within 1 to 5 years, held with Chartered Banks which are federally insured against failure and bankruptcy. These investments earn interest ranging from 3.40% to 5.06% (2007 – 3.00% to 6.00%).

Mutual Funds

The Plan allows participants to invest in various types of mutual funds including Canadian money market funds, Canadian bonds, Canadian equities, United States equities, Global equities and International equities. As at December 31, 2008 the Plan held investments with the following investment managers:

Mackenzie Investments
AIM Trimark Investments
Fidelity Investments

4. Financial Risk Management

The nature of the Plan's operations results in a statement of net assets available for benefits that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk and foreign exchange risk) and liquidity risk.

Credit Risk

The Plan's credit risk arises primarily from investments. The maximum credit risk to which it is exposed at December 31, 2008 is limited to the carrying value of the financial assets summarized as follows:

	(thousands of $'s)	
	2008 Carrying value	**2007** Carrying value
Investment[1]	6,623	7,897

[1]GIC & Mutual Funds

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by change in interest rates and foreign exchange rates. Market value risk primarily impacts the value of investments

Interest rate risk

The Plan is exposed to changes in interest rates in its investments. This risk is managed by investing in financial assets of fixed rates and short-term duration

Foreign exchange

The Plan is exposed to changes in foreign exchange rates through its Mutual Fund investments.

Liquidity risk

Liquidity risk is the risk that the Fund is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets which are federally insured against failure and bankruptcy.

5. Related Parties

SaskPower and PEBA are related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received use of office space and administrative services from SaskPower at no charge. PEBA provides administrative services to the Plan for an administration fee which is paid by SaskPower.

6. Future Accounting Policy Changes

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Plan, will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

Impacts on the Plan will be considered as part of SaskPower's IFRS conversion project, including initiating the development of a high level IFRS implementation plan. An external advisor has been engaged by SaskPower to assist with the development of this plan and to perform a detailed review of major differences between current Canadian GAAP and IFRS. At this time the impact on the Plan's future financial statements is not reasonably determinable.